

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6233

BILL NUMBER: SB 337

NOTE PREPARED: Nov 26, 2014

BILL AMENDED:

SUBJECT: Direct Wine Sales.

FIRST AUTHOR: Sen. Messmer

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Consumer Requirements:* This bill removes requirements that before a direct wine seller may sell to a consumer: (1) the consumer must provide information in one face-to-face transaction at the seller's place of business; or (2) under certain circumstances, the consumer must provide a verified statement that the consumer is at least 21 years of age, and the seller must provide the name and address of the consumer to the Alcohol and Tobacco Commission (ATC).

The bill allows a direct wine seller to sell and ship wine directly to a consumer if the consumer provides: (1) the consumer's name; (2) a valid delivery address and telephone number; (3) proof of age by a state-issued driver's license or state-issued identification card showing the consumer to be at least 21 years of age; (4) a verified statement that the consumer satisfies certain requirements; and (5) any other information requested by the direct wine seller that is required by the ATC.

It repeals a provision that requires a consumer to provide certain information to a direct wine seller.

Limit on Direct Shipments: The bill also increases the total amount of wine a direct wine seller may direct ship in Indiana during a permit year from not more than 27,000 liters to not more than 18,000 gallons.

Effective Date: July 1, 2015.

Explanation of State Expenditures: The bill could increase the ATC's administrative expenditures if the ATC is required to make changes in the way it oversees direct wine sellers' permits. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: Summary-

Consumer Requirements: The bill removes the requirement that a consumer must provide information in an initial face-to-face transaction before a direct wine seller may ship to the consumer. Under the bill, a consumer is still required to provide the consumer's name, address, telephone number, proof of age, and a verified statement that the consumer is at least 21 years old, has an Indiana address, and intends to use the wine only for personal use. However, this information may be provided electronically or by other means. This provision could make it more convenient for consumers to purchase from direct wine sellers. To the extent that the added convenience increases total wine sales, revenue from the Alcoholic Beverage Tax on wine and potentially the Sales Tax could increase.

Limit on Direct Shipments: Under current law direct wine sellers may not direct ship in Indiana more than 27,000 liters of wine (or about 7,133 gallons). This bill increases that limit to 18,000 gallons per year. Information regarding the volume of direct wine shipments in Indiana is currently unavailable, and the extent to which direct shipments will increase is indeterminable. However, if all direct wine sellers currently direct ship 27,000 liters of wine and increase their total direct sales to Indiana residents up to the 18,000 gallon limit, Sales Tax revenue could increase by about \$5 M and Alcoholic Beverage Tax revenue could increase by about \$0.8 M annually, assuming all other wine sales remain at current levels. Currently there are 157 direct wine sellers licensed by the ATC.

These estimates are based on average price data from the Bureau of Labor Statistics. The actual revenue impact could be smaller to the extent that the following occur:

- (1) Direct sales replace a portion of direct wine seller's in-person retail sales.
- (2) Direct shipment totals are currently under the limit of 27,000 liters per seller.
- (3) Direct wine sellers' direct shipments are significantly less than the bill's limit.
- (4) Any increase in spending on wine causes consumers to spend less on other goods subject to Sales Tax.

Additional Information- The Alcoholic Beverage Tax on wine is equal to \$0.47 per gallon. Revenue is distributed to the state General Fund (\$0.20), Post War Construction Fund (\$0.16), Enforcement and Administration Fund (\$0.04), Addiction Services Fund (\$0.02), and Wine Grape Market Development Fund (\$0.05). Fifty percent of the General Fund distribution is allocated to cities and towns according to a formula based on population.

Sales Tax revenue is deposited in the state General Fund (98.848%), Motor Vehicle Highway Account (1%), Commuter Rail Service Fund (0.123%), and Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues could increase to the extent that a city or town receives Alcoholic Beverage Tax revenue through General Fund distributions. Local revenues could also increase to the extent that a local unit receives Sales Tax revenue through distributions from the Motor Vehicle Highway Account, Commuter Rail Service Fund, or Industrial Rail Service Fund.

State Agencies Affected: ATC.

Local Agencies Affected:

Information Sources: ATC active permit list, August 2014. U.S. Bureau of Labor Statistics, Consumer Price Index - Average Price Data, September 2014.

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